

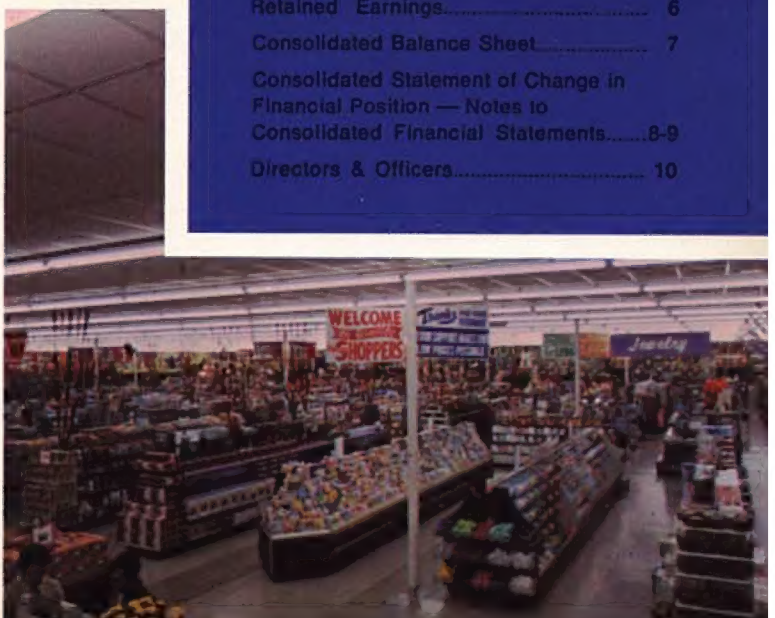
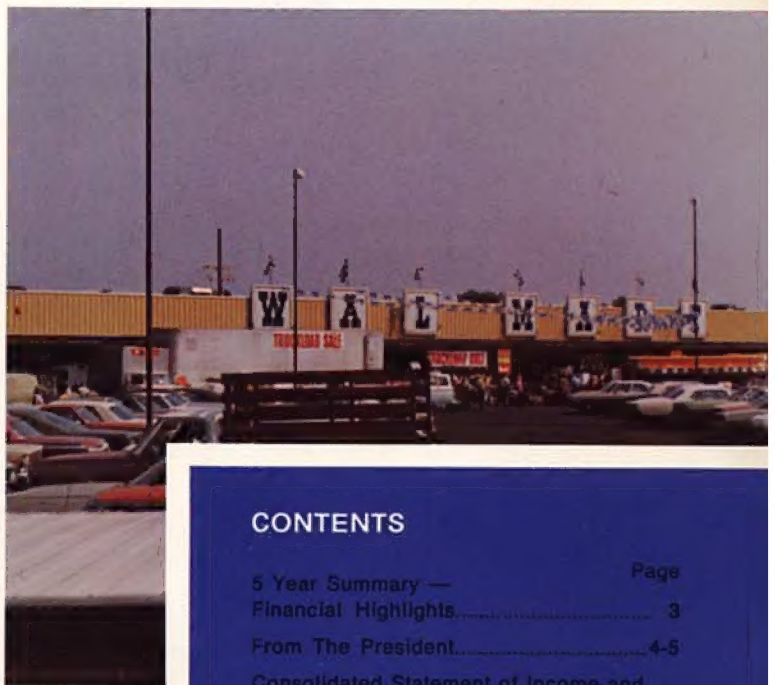
WAL-MART

STORES, INC.



ANNUAL REPORT

YEAR ENDED JANUARY 31, 1972



CONTENTS

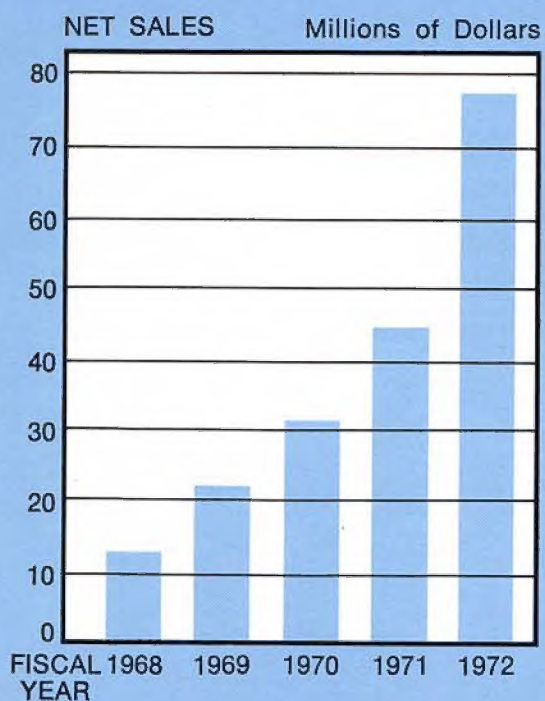
	Page
5 Year Summary —	
Financial Highlights.....	3
From The President.....	4-5
Consolidated Statement of Income and Retained Earnings.....	6
Consolidated Balance Sheet.....	7
Consolidated Statement of Change in Financial Position — Notes to Consolidated Financial Statements.....	8-9
Directors & Officers.....	10

5

YEAR FINANCIAL SUMMARY

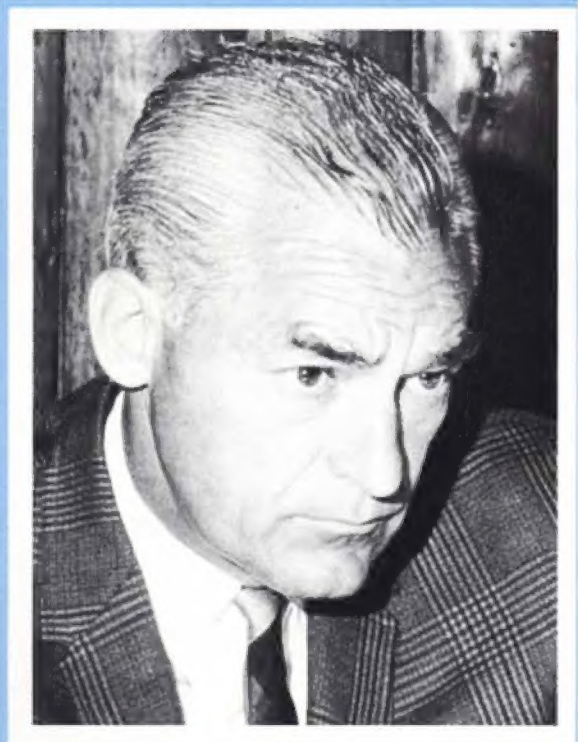
OPERATING RESULTS.....YEARS ENDED JANUARY 31

	1972	1971	1970	1969	1968
Sales	\$78,014,164	\$44,286,012	\$30,862,659	\$21,365,081	\$12,618,754
Income before income taxes	\$ 5,569,027	\$ 3,170,599	\$ 2,198,764	\$ 1,056,211	\$ 779,754
Pro forma net income	\$ 2,907,354	\$ 1,651,599	\$ 1,187,764	\$ 605,211	\$ 481,754
Pro forma net income per share	\$.47	\$.30	\$.23	\$.12	\$.09
Number of stores in operation at the end of the period	51	38	32	27	24



FINANCIAL HIGHLIGHTS

	1972	1971	Percent Change
Current Assets	\$21,068,884	\$12,149,539	+ 73.41
Current Liabilities	\$12,806,059	\$ 6,512,635	+ 96.63
Working Capital	\$ 8,262,825	\$ 5,636,904	+ 46.58
Current Ratio	1.65	1.87	
Stockholders' Equity	\$10,748,055	\$ 7,840,701	
Number of Shares Outstanding	6,000,000	6,000,000	



Words from The President

Our fiscal year ending January 31, 1972 must be considered Wal-Mart's best ever. Our total sales were \$78,000,000, a 77% increase over \$44,000,000 for the previous year. Net profit was \$2,907,000 which represents a 76% increase over 1971. After a 100% stock split on an adjusted basis, our Company had a 47¢ earnings per share for the year.

These were some of the highlights for Wal-Mart in 1971.

1. We added fourteen new stores which totalled 604,000 square feet of floor space.
2. Our Distribution Center was more than doubled from 60,000 square feet to 124,800 square feet. This addition was completed August 15, 1971.
3. A new profit sharing program was adopted by our Board of Directors for all regular Wal-Mart employees.

We're extremely proud of the records set by our Company during this past year. Full credit must go to our dedicated and loyal employees — some 2,300 who today make up our Wal-Mart world. Everyone in the Company made significant contributions last year toward accomplishing these outstanding results.

In reviewing our accomplishments, I think it was quite significant that for this year our eighteen Wal-Mart stores that already existed as of February 1, 1970 and were not expanded had a 17% increase in sales over 1971. Also, I'm most pleased to report that all fourteen new stores have turned in excellent sales results and should make sizeable contributions to our profit structure for the year 1972.

Management at all levels was reinforced with additional personnel and strengthened by more realistic training and merchandising programs. During the year we added three Buyers, two Supervisors, a Merchandise Controller and a Personnel Director. Also, we set up a Real Estate and Construction Division which arranged for the financing and construction of five new Wal-Mart stores.

I particularly want to pay tribute to our unusually fine group of management trainees who now number over 150 and on whom the load of the new store program weighs most heavily. I'm convinced they're the finest, most capable and dedicated group of young retailers in the United States today; and it was largely through their efforts, directed by our Management, that Wal-Mart was able to add fourteen new stores in 1971. The enthusiasm and ability of these young men assures us Wal-Mart will continue to have capable management for years to come.

We're looking forward to another eventful and full year in 1972. These are some of our goals for this coming year.

1. Plans are being finalized for doubling our General Offices from 12,000 square feet to approximately 24,000 square feet. This addition should be completed by September.

2. A new 22,000 square foot center for marking and distributing wearables is presently under construction and should be in operation by May 1, 1972. As well, a 60,000 square foot addition to our Distribution Center will be completed by early fall.

3. Fourteen new stores have been projected for 1972 plus the expansion and refixturing of three of our present stores which will be a total floor space increase of approximately 700,000 square feet for this year.

4. Of the fourteen new stores, six will be constructed and handled on a sale and lease-back arrangement by Wal-Mart Properties, Inc., our Real Estate and Construction Division.

I'm totally confident Wal-Mart will have another outstanding year in 1972. We've been fortunate in assembling capable and dedicated management talent. These people, plus an outstanding group of store managers all of whom are on generous bonus incentives based on their store profits, will continue to provide us with excellent leadership and management skills.

Our plan is to grow internally. Our growth potential lies within the magic circle — an area that encom-

passes northern Arkansas, southern Missouri, southeastern Kansas and eastern Oklahoma. This area has had an excellent economic gain over the past ten years — increasing substantially in population as well as per capita income. This has been due primarily to the development of tourism and the influence of a large number of industries that have moved into this area. We have a balance of tourism, industrial jobs and agriculture that should continue to encourage a healthy growth in this Ozark region for years to come.

Our Management and your Board of Directors have indicated they want the Wal-Mart program to continue in its present direction by growing internally through the improvement of our existing stores and continued expansion within our five state area.

Our overall plan includes:

1. Putting in dominant new full line stores in the medium size and smaller communities in the five state area within 300 miles of our Distribution Center.

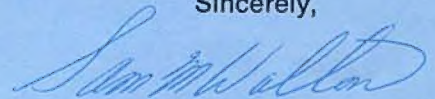
2. Continuing our policy of maintaining true discount prices and one of the lowest gross margins of any chain in the United States.

3. Being extremely control and expense conscious starting with our construction program all the way through our entire operating structure.

4. Continuing to develop loyalty, morale and enthusiasm among all our personnel for the total Wal-Mart program. Of all our assets I must count this last ingredient the most important.

Finally, on behalf of the Board of Directors and Management, my personal sincere thanks and appreciation to our stockholders, our customers, our suppliers and friends — all of whom helped make this such an eventful year and certainly the best in Wal-Mart's history.

Sincerely,



Sam M. Walton, President

March 22, 1972

The Board of Directors and
Stockholders, Wal-Mart Stores, Inc.

We have examined the accompanying consolidated balance sheet of Wal-Mart Stores, Inc. and subsidiaries at January 31, 1972, and the related consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Wal-Mart Stores, Inc. and subsidiaries at January 31, 1972, the consolidated results of their operations and changes in their consolidated financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Young & Company

March 22, 1972

WAL-MART STORES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
AND RETAINED EARNINGS

Years ended January 31, 1972 and 1971

	1972	1971
Number of stores in operation at the end of the year.....	51	38
Revenues:		
Net sales	\$78,014,164	\$44,286,012
Rentals from leased departments (Note 5)	655,219	261,246
Other income — net.....	191,217	85,042
	78,860,600	44,632,300
Costs and expenses:		
Cost of sales.....	58,591,379	32,825,768
Operating, selling and general and administrative expenses....	14,285,310	8,441,055
Interest and debt expense.....	414,884	194,878
	73,291,573	41,461,701
Income before income taxes.....	5,569,027	3,170,599
Provision for federal and state income taxes (Note 6):		
Current.....	2,580,957	1,485,000
Deferred.....	80,716	34,000
	2,661,673	1,519,000
Net income	2,907,354	1,651,599
Retained earnings, beginning of year.....	3,210,095	1,558,496
Retained earnings, end of year.....	\$ 6,117,449	\$ 3,210,095
Net income per share (Note 8).....	\$.47	\$.30

See accompanying notes.

WAL-MART STORES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

January 31, 1972 and 1971

ASSETS

Current assets:	1972	1971
Cash.....	\$ 2,004,862	\$ 1,236,009
Accounts receivable.....	434,554	212,532
Refundable income taxes.....	150,578	—
Inventories (Note 2).....	18,452,663	10,654,640
Prepaid expenses.....	26,227	46,358
TOTAL CURRENT ASSETS.....	21,068,884	12,149,539
Property, plant and equipment, at cost (Note 3):		
Land.....	1,069,647	312,658
Buildings and improvements.....	2,336,614	478,095
Fixtures and equipment.....	4,527,467	2,787,075
Transportation equipment.....	165,378	137,304
	8,099,106	3,715,132
Less accumulated depreciation and amortization.....	1,019,403	635,525
Net property, plant and equipment.....	7,079,703	3,079,607
Other assets and deferred charges.....	313,951	102,287
	\$28,462,538	\$15,331,433

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:	1972	1971
Notes payable to bank.....	\$ 2,670,000	\$ 750,000
Accounts payable.....	6,807,512	3,760,511
Accrued liabilities:		
Salaries.....	936,637	576,863
Taxes, other than income.....	285,833	157,824
Other.....	318,951	140,001
Accrued federal and state income taxes (Note 6).....	1,119,406	873,634
Long-term debt due within one year (Note 3).....	667,720	253,802
TOTAL CURRENT LIABILITIES.....	12,806,059	6,512,635
Long-term debt (Note 3).....	4,658,707	809,097
Deferred federal income taxes (Note 6).....	249,717	169,000
Commitments and contingencies (Notes 6 and 7).....		
Stockholders' equity (Notes 1 and 4):		
Preferred stock, \$.10 par; 500,000 shares authorized, none issued.....	—	—
Common stock, \$.10 par; 11,000,000 shares authorized, 6,000,000 shares issued in 1972 and 1971....	600,000	600,000
Capital in excess of par value.....	4,030,606	4,030,606
Retained earnings.....	6,117,449	3,210,095
	10,748,055	7,840,701
	\$28,462,538	\$15,331,433

See accompanying notes.

WAL-MART STORES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF
CHANGES IN FINANCIAL POSITION

Years ended January 31, 1972 and 1971

Source of funds:	1972	1971
Current operations:		
Net income.....	\$2,907,354	\$1,651,599
Charges against (credits to) income not involving the use of (additions to) funds in the current period:		
Depreciation (straight-line).....	419,748	223,839
Amortization.....	39,799	43,691
Deferred federal income tax.....	80,717	34,000
Cost of normal property retirements.....	—	12,590
Total from current operations.....	3,447,618	1,965,719
Sale of property.....	221,452	—
Net proceeds from sale of common stock (Note 1)....	—	3,030,467
Additions to long-term debt.....	5,827,872	297,950
	<u>9,496,942</u>	<u>5,294,136</u>
Application of funds:		
Additions to property, plant and equipment.....	4,641,297	1,637,804
Payments on long-term debt	1,978,262	816,619
Additions to other assets and deferred charges.....	251,462	33,594
	<u>6,871,021</u>	<u>2,488,017</u>
Increase in working capital...	<u>\$2,625,921</u>	<u>\$2,806,119</u>
Changes in components of working capital:		
Increase (decrease) in current assets:		
Cash.....	\$ 768,853	\$ 422,310
Accounts receivable.....	222,022	608
Refundable income taxes	150,578	—
Amounts due from stockholder.....	—	(113,955)
Inventory.....	7,798,023	5,137,463
Prepaid expenses.....	(20,131)	257
	<u>8,919,345</u>	<u>5,446,683</u>
Increase (decrease) in current liabilities:		
Notes payable to banks...	1,920,000	(218,876)
Accounts payable.....	3,047,001	2,735,366
Accrued liabilities:		
Salaries.....	359,774	134,600
Taxes, other than income	128,009	6,379
Other.....	178,950	59,109
Accrued federal and state income taxes.....	245,772	125,296
Long-term debt due within one year.....	413,918	(201,310)
	<u>6,293,424</u>	<u>2,640,564</u>
Increase in working capital...	<u>\$2,625,921</u>	<u>\$2,806,119</u>

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

January 31, 1972

Note 1 — Basis of financial statements

The consolidated financial statements include the accounts of Wal-Mart Stores, Inc., and all its subsidiaries, comprising those which were acquired through an exchange of common stock effective February 1, 1970, in a transaction accounted for as a pooling of interests, and subsidiary corporations formed since that date. In the exchange, shares held in the various subsidiaries and the assets of certain related businesses, subject to certain liabilities, were transferred by the principal shareholder (Walton Enterprises, Inc.) to Wal-Mart Stores, Inc., in exchange for issuance of its common stock and the assumption of a \$968,876 note payable to a bank. Such assets have been accounted for at their cost (less applicable depreciation) to Walton Enterprises, Inc. The Company has recorded the acquisition of its subsidiaries at equity, and accordingly there are no differences in investments as recorded and its equity in net assets of the subsidiaries. All intercompany accounts, transactions and profits have been eliminated in consolidation.

Capital in excess of par value at January 31, 1972 includes the following transactions:

Excess of paid-in capital of pooled companies and net assets of related businesses over par value of stock issued and \$968,876 note payable to bank assumed at February 1, 1970.....	\$1,470,139
Excess of net proceeds over par value of 200,000 shares sold in public offering October 8, 1970.....	3,010,467
Par value of 1,500,000 shares issued in a two-for-one stock split in the form of a 100 percent stock dividend on June 11, 1971.....	(150,000)
Par value of 3,000,000 shares to be issued in a two-for-one split in the form of a 100 percent stock dividend on April 5, 1972.....	(300,000)
	<u>\$4,030,606</u>

On March 22, 1972 the stockholders approved an increase in the authorized common stock to 11,000,000 shares and the directors authorized the issuance on April 5, 1972 of a two-for-one split in the form of a 100 percent stock dividend to holders of record on March 22, 1972. Shares and per share amounts in the financial statements and notes have been adjusted to give effect to these actions.

Note 2 — Inventories

The merchandise inventories in stores are stated at the lower of cost or market as determined by the retail inventory method, and the inventory in the distribution center is stated at the lower of cost (the first-in, first-out method) or market. Inventories are comprised of:

	1972	1971
Stores.....	\$15,894,462	\$ 9,606,775
Distribution center.....	2,558,201	1,047,865
	<u>\$18,452,663</u>	<u>\$10,654,640</u>

Note 3 — Long-term debt

Long-term debt at January 31, 1972 consists of the following:

	Due Within One Year	Due After One Year
9¾% notes, payable \$90,000 semiannually (plus interest) to April, 1985.....	\$180,000	\$2,320,000
9¼% mortgage notes, payable \$34,411 quarterly (including interest) to June, 1992.....	11,198	1,238,802
Equipment purchase contracts, secured by fixtures and equipment, payable monthly with final maturities ranging from February, 1973 to May, 1977....	141,468	90,478
5-7% unsecured notes, maturing at various dates to January, 1981	92,079	297,237
6% unsecured note, guaranteed by Wal-Mart Stores, Inc., payable June, 1972.....	225,000	—
8¼% mortgage note, payable \$3,408 monthly (including interest) to February, 1990.....	9,738	372,374
9% mortgage note, guaranteed by Wal-Mart Stores, Inc., payable \$3,269 monthly (including interest) to December, 1989....	8,237	339,816
	<u>\$667,720</u>	<u>\$4,658,707</u>

The agreement relating to the 9¾% notes includes certain restrictions on dividends, additional debts and leases, and sale of assets and contains covenants concerning working capital. The agreement relating to the 9¼% mortgage notes contains certain restrictions on the subsidiary concerning additional debt, business activities, investments, and the issuance of its capital stock and requires rental payments on certain leased buildings in amounts equal to aggregate note and interest payments. The subsidiary expects to borrow on or before June 1, 1972 up to an additional \$1,250,000 under this agreement.

Note 4 — Stock options and warrants

Of the authorized shares at January 31, 1972, 380,000 shares were reserved, including 180,000 shares for warrants expiring April 1, 1985 at \$4.12 per share and 200,000 shares for issuance under the Company's qualified stock option plan for employees. The options expire five years from the date of grant and may be exercised in four equal annual installments beginning one year from the date of grant. Further information concerning the options is as follows:

	Shares	Option price Per Share	Total
Shares under options:			
Granted in year ended:			
January 31, 1971	80,000	\$ 4.12	\$329,600
January 31, 1972	28,800	\$9.88 - \$12.00	291,328
Outstanding at January 31, 1972 (20,000 shares exercisable)	108,800	\$4.12 - \$12.00	\$620,928
Shares which became exercisable in year			

ended January 31, 1972	20,000	\$ 4.12	\$ 82,400
Shares available for options at January 31, 1972	91,200		

Note 5 — Leased department sales

The sales of leased departments as reported by the lessees are \$7,297,956 and \$3,715,333 for 1972 and 1971 respectively.

Note 6 — Income taxes

The Company and its subsidiaries file separate income tax returns. The current provision for income taxes represents the approximate combined amounts of the taxes currently payable by the individual corporations. The provisions for deferred income taxes relate to timing differences in financial and income tax methods of accounting for depreciation and certain leased fixtures and equipment. Investment tax credits are accounted for under the flow through method and have resulted in reduction of the income tax provision for 1972 by \$78,000.

The Internal Revenue Service has proposed assessments for additional federal income taxes for the year ended January 31, 1969 resulting principally from disallowance of surtax exemptions and the reallocations of income among the Company and its subsidiaries. The Company is planning to contest these proposed assessments and, although the ultimate disposition of the matter is undeterminable at this time, management and its legal counsel are of the opinion that any additional taxes which may be finally determined will not have a material adverse effect on the consolidated financial statements.

Note 7 — Commitments and contingencies

The Company and subsidiaries have long-term leases for present stores and transportation equipment at aggregate minimum rentals of \$2,016,723 in the year ending January 31, 1973. The minimum annual rentals are classified by expiration periods for the present terms of the leases as follows:

1973 through 1975.....	\$ 198,988
1976 through 1978.....	114,272
1979 through 1981.....	194,104
After 1981.....	1,509,359
	<u>\$2,016,723</u>

Substantially all of the leases have renewal options for additional terms of five to fifteen years at the same minimum rentals. Certain of the leases provide for additional rentals based on varying percentages of sales. Such additional rentals amounted to \$54,876 for 1972. In addition, the Company has entered into lease agreements for six future stores at aggregate minimum annual rentals of \$285,238. Inventory, fixtures and working capital requirements for these stores are estimated to be \$3,370,000, in addition to amounts included in the balance sheet.

Note 8 — Earnings per share

Per share amounts are based on average outstanding shares, stock options and warrants, adjusted for stock splits (Note 1). The average stock options and warrants outstanding have been reduced by shares assumed to have been purchased with proceeds from such options and warrants under the treasury stock method.

Directors

*Sam M. Walton, Chairman

*J. L. Walton

*F. G. Arend

*Ronald Mayer

James H. Jones

H. L. Rummel

Jackson T. Stephens

*Members of the Executive Committee

Officers

Sam M. Walton, President

J. L. Walton, Senior Vice President

F. G. Arend, Executive Vice President

Ronald Mayer, Vice President - Treasurer

Don Whitaker, Vice President-Operations

Claude Harris, Vice President-Merchandise

Kenneth Folkerts, Controller

S. Robson Walton, Secretary

Counsel

Conner, Winters, Ballaine, Barry & McGowen

711 First National Building

Tulsa, Oklahoma 74103

Independent Accountants

Arthur Young & Company

1500 First National Building

Tulsa, Oklahoma 74103

Registrar & Transfer Agent

Registrar & Transfer Company

34 Exchange Place

Jersey City, New Jersey 07302

Executive Offices

P. O. Box 116

Bentonville, Arkansas 72712

Annual Meeting

May 4, 1972

1:30 P.M.

General Offices

702 SW 8th Street

Bentonville, Arkansas

